



PEFINDO CREDIT RATING INDONESIA

Selamat Sempurna Tbk.

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Corporate Rating <i>idA</i>	FINANCIAL HIGHLIGHTS			
	as of/for the years ended	31-Dec-99	31-Dec-98	31-Dec-97
Rated Issues: <i>Bonds I/2000</i> <i>idA</i>	Total Asset (IDR billion)	301.69	227.13	199.52
	Total Sales (IDR billion)	359.36	349.56	160.57
Rating Period: <i>May 26, 2000–June 1, 2001</i>	Total Equity (IDR billion)	231.36	182.32	134.63
	Gross Margin	32.22	34.53	33.61
	OPBIT/Operating Income (%)	22.38	22.98	19.75
	Return on Permanent Capital (%)	31.72	43.05	19.18
	Total Debt/(S. Funds + MI) (x)	0.10	0.02	0.23
	Total Debt/Total Assets	0.07	0.02	0.15
	OPBDIT/Gross Interest (x)	6.20	10.54	9.96
	FFO/Total Debt (x)	3.33	17.48	1.18
	(FFO + Interest)/ Gross Interest (x)	5.15	9.05	9.49
	Rating History: <i>NA</i>	<i>FFO=funds from operation</i>		
<i>OPBDIT=operating profit before depreciation interest and tax</i>				
<i>The above ratios have been computed based on information from The Company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.</i>				

RATING RATIONALE

PEFINDO has assigned an *idA* rating for PT Selamat Sempurna Tbk. (SMSM)'s IDR100 billion bonds. The rating reflects SMSM's strong niche presence in Indonesia's automotive component sector, particularly for filter products, and its very strong and stable financial profile. However, its somewhat limited product range and competition from established international producers in the world market is another consideration.

SMSM's major products are filter and radiator for the automotive sector. Filters are produced by PT Selamat Sempurna Tbk itself (SS, the operating holding), PT Andhi Chandra Automotive Products (ACAP) and PT Panata Jaya Mandiri (PJM), both of which are SMSM subsidiaries. With 'Sakura', 'Donaldson', 'ACAP', 'Daiko' and 'Sanko' brands, SMSM is the local market leader for filter products, controlling about 50% share in the domestic market. Filter products contributed about 57.2% of revenue in 1999. Radiators are produced by SS under the 'ADR' brand. In 1999, it accounted for 38% of SMSM's revenue. Aside from the after market (AFM), SMSM also sells its products to original equipment manufacturers (OEM) and original equipment spare parts (OES) such as Daewoo, Daihatsu, Hino, Honda, Hyundai, Isuzu, KIA, Mazda, Mercedes Benz and Mitsubishi. To support its market position, the Company has established a long relationship with global automotive component players in the forms of technical assistance, license as well as joint venture agreements. Such partners include Tokyo Roki Co. Ltd. of Japan, the 5th largest global player in 1998, and Donaldson (6th largest, 1998). Donaldson owns 30% share in PJM. However, with filter and radiator products constituting about 95% of its revenue, we view the Company's product range as concentrated. In the meantime, its export sales (accounting for 69.2% of total sales in 1999) are insignificant as compared to the established international producers such as American Air Filters, Fleet Guard, etc.

SMSM's financial profile has been very strong and sustainable. In 1998, export sales rose substantially, accounting for 83% of revenue. As a result, the Company's sales performance has continued to improve despite a decline in sales volume in the domestic market. Gross and Operating Margins have been stable at about 33% and 22%, respectively, resulting in an average ROE and ROPC of 20.6% and 27.8%, respectively. The Company has kept its debt levels low with a 10% debt-to-equity ratio (DER) at end-99. All this results in a strong cash flow protection reflected by (FFO+Interest)-to-Gross Interest ratio ranging from 5.2x to 9.5x for the past three crisis problem years.

OUTLOOK

A Stable outlook is assigned with the above rating. With the bond issuance, sales and operating margin performance is expected to improve, although the debt raised would leave a slightly higher financial burden on the Company.